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FEBRUARY 1991
A CAHNERS PUBLICATION

Industrial Distribution

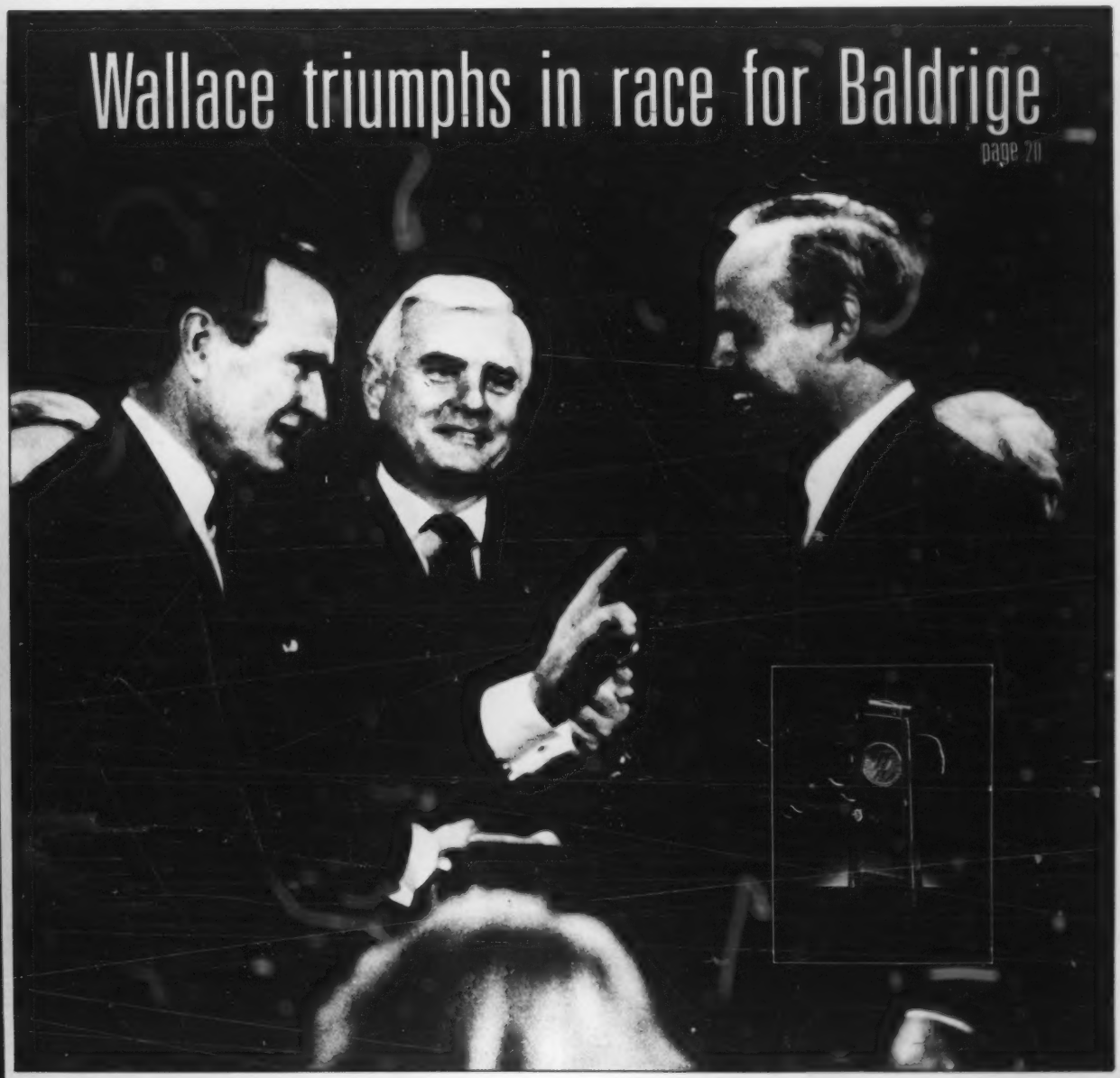
THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL:

Abrasives outlook: sluggish

Wallace triumphs in race for Baldrige

page 20



Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

VOL. 80, NO. 3 FEBRUARY 1991 A CAHNERS PUBLICATION

He's all smiles: John W. Wallace's firm becomes the first distributorship to earn a Baldrige.

Cover photography by Manuello Paganelli

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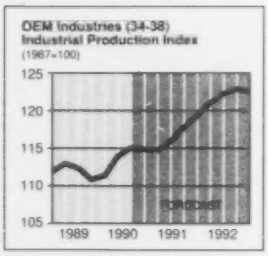

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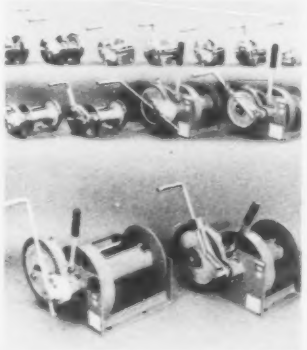

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NEWS

Expert says distributors held market in '90

MORROW, OHIO—Despite a difficult fourth quarter, market researchers Shea & Assoc. report that industrial distributors held their share of the power tool and accessories market in 1990.

The 1990 market share figure is expected to be about 24.4%, the same as it was in 1989, said Thomas J. Shea, president of the research group (see chart). Shea, who recently completed an in-depth study of the power tool and accessories market, added that total 1989 sales topped $3.2 billion.

Shea pointed to two main reasons for distributors maintaining a strong share of the power tool and accessories market. First, the strength of the manufacturing sector. And second, the continued strong performance of remodelers in the construction industry.

"Industrial distributors selling to these markets should take a good hard look at their product mixes," said Shea. "The winners in the years ahead are going to be the distributors who can get the right products to end user customers on a just-in-time basis."

For those selling to manufacturing, Shea said drill bits, pneumatic tools and all types of metalworking accessories will continue to be the hot sellers. For the construction market, circular saws, saw blades, and power tool accessories will also be in demand.

Shea's study is a complete analysis of the power tool and accessories market, including production and import trends, and comparisons of production performance by product category. The report costs $1,000. For information, call (513) 899-3723. □

Dayco buys Anchor Swan

DAYTON, OHIO—Mark IV Industries, parent company to Dayco Products, Inc., recently purchased Worthington, Ohio-based hose maker Anchor Swan for $52.9 million. Formerly a division of Harvard Industries, Anchor Swan will operate as a Dayco subsidiary.

Don Bethune, Dayco's president, said the two companies will run as they have in the past. Bethune anticipated no changes in Dayco's distribution policy.

Bethune said that with $140 million in yearly sales, Anchor Swan is one of the country's largest manufacturers of hose. The firm sells to automotive equipment manufacturers, the automotive aftermarket, and industrial accounts.

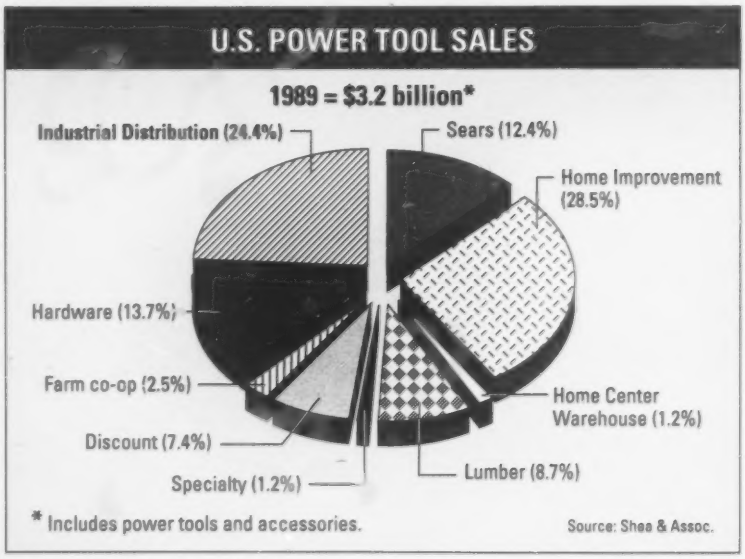
With the purchase of Anchor Swan, Dayco now claims a big edge in the thermal-plastic hose race, notes the firm's president, Don Bethune.

"This is an important move for Dayco," said Bethune. "Anchor Swan gives us a small-bore hose production capability which complements and broadens our product offering. In addition, we can now take advantage of Anchor Swan's edge in thermal-plastic hose."

While Bethune made it clear that Dayco distributors won't be selling Anchor Swan products, he did say that some Dayco products will be manufactured at Anchor Swan's five facilities across the U.S.

"This acquisition simply makes Dayco a stronger company," Bethune said. "I think our customers and industrial distributors will benefit in the years ahead from the technology and manufacturing expertise of Anchor Swan."

According to Bethune, Anchor Swan's leading products to the industrial market include general purpose, air, water, agricultural spray and air compressor hoses. □



Industrial distributors held a 24.4% share of the power tool and accessories market in 1990—the same as in 1989.

Are your sales meetings boring?

MATTHEWS, N.C.—A new sales training course, *How to Conduct Non Boring Sales Meetings* has been developed by sales consultant Carl Henry.

His goal: Make sales meetings lively and exciting. "Too many companies conduct sales meetings because they feel they have to," Henry said. "And, likewise, salespeople attend those meetings because they feel obligated. In many cases, nei-

BUSINESS REPORT

BY PAUL WATERS

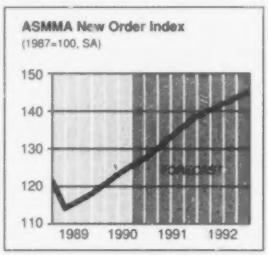
Outlook for 1991 revised

Slow growth barely dodges recession.

Heading into 1991, the economy is searching for the direction it was unable to find throughout 1990. Around the middle of 1990, the industrial sector began showing signs of revival, renewing hopes of a much touted soft landing for our economy. However, the effects of several political events put downward pressure on our fragile economy.

The first event was the savings and loan crisis, which is expected to cost a half-trillion dollars. This hobbled the nation's lending system.

The next event was the crumbling of the Warsaw Pact and the conversion of many communist nations to more market-oriented systems. Many investment opportunities suddenly appeared, attracting international capital and keeping interest rates higher around the world.



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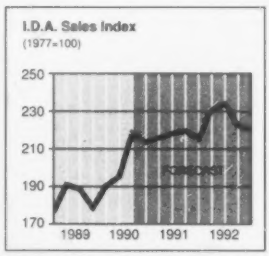
Forecast source: Cahners Economics



Data source: I.D.A.
Forecast source: Cahners Economics

The federal budget package passed near the end of '90 was an effort to reduce federal deficits and borrowing. While the long-term impact will boost growth by reducing interest rates, the short-term effects of higher taxes and reduced government spending will be a drag on our sluggish economy.

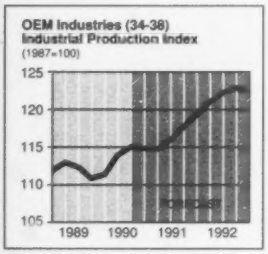
Finally, the Iraqi invasion of Kuwait in August was the most severe blow to the economy.

In late 1989, our outlook called for an upturn near the end of '90. Now, the outlook is for this slow period to continue through the first half of '91, if the Middle East stalemate is resolved early in '91.

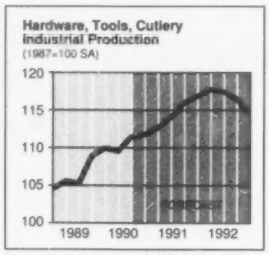
The new outlook has produced revisions for the forecasts of many industrial sectors. Total manufacturing is expected to expand 2.8% in 1991, down from our earlier forecast of 3.3%. Output in the process industries (materials) will rise 3.3% in 1991, while the OEM sector manages just 2.7% growth.

Fabricated metals is now expected to raise output 2.5% in 1991. The cutlery, hand tools, and hardware segment will see an above average 3.8% jump in output, however. Expect fasteners and stampings to also outperform other fabricated metal groups with 3.7% growth.

Industrial machinery and equipment will increase production 3.6% in 1991. The output of metalworking machinery (machine tools, accessories, et al.), for example, will inch up just 1.4%. □



Data source: Federal Reserve Board
Forecast source: Cahners Economics



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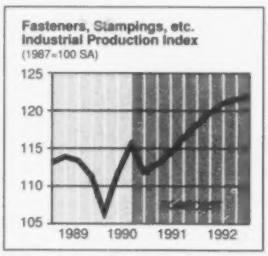

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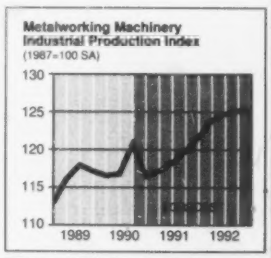

Data source: Federal Reserve Board
Forecast source: Cahners Economics

(1977=100)	SALES Nov. 1990	SALES Oct. 1990	SALES Nov. '90 vs Nov. '89 % change	RECEIVABLES Nov. 1990 days	INVENTORY Oct.Nov. 1990 % change
TOTAL	203.2	205.7	7.1	40.2	-0.8
EAST	178.7	174.6	15.8	50.7	-1.3
SOUTH	271.1	274.5	0.9	37.1	-0.3
CENTRAL	176.2	180.6	12.4	40.3	-1.0
WEST	215.1	206.8	11.3	34	-0.4

SOURCE: Industrial Distribution Assn.